

## Significant Changes to U.S. Patent Law

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November 2011

The "Leahy-Smith America Invents Act" (H.R. 1249), which was signed in to law by President Obama on September 16, 2011, marks the first significant changes to the U.S. patent system since 1952. More on highlights of the Act.

### **First Inventor to File**

The most anticipated provision of the Act moves the U.S. patent system from the present "first-to-invent" system to a "first-to-file" system.

Correspondingly, the novelty provisions of Section 102 of the Patent Act are extensively amended. In general, disclosures that bar a patent will include public use, sales, publications, and other disclosures available to the public prior to the filing date of the application or by earlier filed applications that result in published applications or patents.

The Act retains a one-year grace period for inventors to file an application after certain disclosures of the claimed invention, but only for the inventor's own disclosures and disclosures by another who obtained the subject matter disclosed from the inventor.

The Act eliminates geographical limitations that previously permitted patenting of inventions publicly known or used in foreign countries.

Interference proceedings used to resolve disputes regarding the first inventor are replaced with "derivation proceedings" where a later applicant can allege that an earlier applicant derived the claimed invention from the later applicant.

The provisions relating to the "first-to-file" system go into effect 18 months after enactment.

### **Inventor's Oath or Declaration**

The Act makes it easier for a party to whom an inventor has assigned or is under an obligation to assign to make an application for patent.

The provisions relating to the inventor's oath go into effect 1 year after enactment.

### **Defense to Infringement Based On Prior Commercial Use**

The scope of prior user rights are expanded to encompass commercial use of all inventions, not just "method" claims. The defense is applicable if an alleged infringer can establish either an internal commercial use or arm's length sale of an end result of such commercial use more than one year before either the effective filing date of the claimed invention or the date on which the claimed invention was publicly disclosed in a manner that qualifies for the one-year grace period.

The provisions relating to the prior commercial use defense will apply to any patent issued on or after the date of enactment.

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### **Post-Grant Review Proceedings**

A new “post-grant review” proceeding is established in which a person who is not the patent owner may request cancellation of one or more claims on any ground that could be raised under specified provisions relating to invalidity of the patent or any claim.

- must be filed within 9 months after the grant of patent
- petition must present information which, if not rebutted, would demonstrate that it is “more likely than not” that at least one of the claims challenged is unpatentable, or raises a novel or unsettled legal question important to other patents or applications
- may not be instituted if petitioner has filed a civil action challenging the validity of a claim of the patent

A new “inter partes review” proceeding is established replacing inter partes reexamination, in which a person who is not the patent owner may request cancellation of one or more claims only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

- must be filed after the later of 9 months after the grant of patent or termination of post-grant review
- petition must show a “reasonable likelihood” that the petitioner would prevail with respect to at least one of the claims challenged
- may not be instituted if petitioner has filed a civil action challenging the validity of a claim of the patent, or if filed more than one year after the petitioner is served with a complaint alleging infringement of the patent

The provisions relating to post-grant review and inter partes review go into effect 1 year after enactment.

### **Pre-Issuance Submissions by Third-Parties**

The Act allows any third party to submit any printed publication along with a description of the relevance to the PTO before the earlier of (i) the date a notice of allowance is mailed, or (ii) the later of either 6 months after the application’s publication, or the date of the first rejection.

The provisions relating to pre-issuance submissions go into effect 1 year after enactment.

### **Fee Setting Authority**

Upon enactment, the Act allows the PTO to set or adjust its fees to recover its “aggregate estimated costs.” In addition, a new “micro entity” is established which qualifies for a 75% reduction of fees.

Effective 60 days after enactment, there will be an additional fee of \$400 for each patent application, except for a design, plant, or provisional application that is not filed electronically.

### **Fees**

The Act establishes a fee of \$4,800 in addition to the usual fees for prioritized examination of an application. In addition, a 15% increase in most fees, including maintenance fees.

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These fee provisions take effect 10 days after enactment.

### **Supplemental Examination**

A new section is established permitting a patent owner to request a “supplemental examination” to consider, reconsider, and correct information believed to be relevant to the patent. Requires the Director to order reexamination if a substantial new question of patentability is raised by at least one item of information in the request.

The provisions relating to supplemental examination go into effect 1 year after enactment.

### **Tax Strategies Deemed Within Prior Art**

Upon enactment, the Act provides that inventions for reducing, avoiding, or deferring tax liability cannot be differentiated from the prior art, but adds express exclusions for inventions that are used solely for preparing a tax return; or used solely for financial management, to the extent that it is severable from, or does not limit the use of, any tax strategy.

### **Best Mode Requirement**

The Act retains the requirement to set forth the best mode for accomplishing the invention, but failure to disclose the best mode is excluded as a basis for invalidating an issued patent.

The provisions relating to best mode go into effect upon enactment.

### **Marking**

The Act allows virtual markings (markings that direct the public to a freely-accessible website where a patented article is associated with its patent number) to provide public notice that an article is patented. Only the United States may bring an action for false marking. A person who has suffered competitive injury may file a civil action for recovery of damages adequate to compensate for the injury.

Virtual markings with matter relating to a patent that covered that product but has expired are exempt from false marking liability.

The provisions relating to marking go into effect upon enactment and apply to pending cases.

### **Advice of Counsel**

The Act bars using an accused infringer’s failure to obtain the advice of counsel or failure to present such advice to a court or jury to prove that any infringement was willful or induced.

### **Transitional Program for Covered Business Method Patents**

Establishes an 8 year transitional post-grant review proceeding under which the validity of certain defined business-method patents may be reviewed.

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The provisions relating to this program go into effect 1 year after enactment and will apply to any business method patent regardless of when it issued.

**Jurisdiction and Procedural Matters**

The Act clarifies federal court jurisdiction over patent and copyright actions.

Joinder of accused patent infringers is restricted to cases arising out of common facts and transactions. This provision applies to any civil action commenced on or after the date of enactment.

**Patent and Trademark Office Funding**

Effective October 1, 2011, a Patent and Trademark Fee Reserve Fund will be established into which any fee collections for a fiscal year in excess of the amount appropriated for that fiscal year must be deposited. Amounts in the Fund will only be available for obligation and expenditure by the PTO.

**Limitation on Issuance of Patents**

Upon enactment, patents on "a claim directed to or encompassing a human organism" are prohibited.